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UNCLAS SECTION 01 OF 02 ASUNCION 000589

SIPDIS

STATE FOR WHA/BSC AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR SCRINAN AND LYANG
NSC FOR KIM BREIER
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PINR](#) [PTER](#) [ECON](#) [KCRM](#) [PA](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, APRIL 23-29

REF: A. ASUNCION 00557

[1B.](#) ASUNCION 00512

[11.](#) (U) Summary

-- Senate votes to reactivate privatization law
-- AG intervenes in probe of Health Minister's prior conduct
-- Unconfirmed reports of FARC activity in Paraguay
-- U.S. cardiology team praised for its charity
-- Paraguay mourns the death of writer Roa Bastos

Senate votes to reactivate privatization law

[12.](#) On April 21, the Senate voted to repeal a 2002 law that froze the privatization process. The repeal was a Senate initiative and a bit of a surprise, even to the executive branch, although the repeal still needs to be blessed by the Chamber of Deputies. The eventual form of "capitalization" (privatization is a bad word in Paraguay) remains to be seen, and the motives behind the Senate action are unclear, but reform of the many state-owned enterprises is badly needed. A few international audits have been completed, and several more are in the process of being awarded. Perhaps coincidentally this week, the Paraguayan representative to the binational entity that controls the Yacyreta dam was suddenly replaced by Petropar's chief, who was in turn replaced by the Planning Director of the state-owned electricity company, ANDE. More to come when we learn more about the various machinations behind these moves.

AG intervenes in probe of Health Minister's prior conduct

[13.](#) Following President Duarte's public show of support last week for Health Minister Julio Cesar Velazquez, who faces an inquiry into his administration of funds and projects as the former Mayor of Fernando de la Mora (reflets), this week the Attorney General's Office intervened in the matter, shelving several of the complaints lodged against Velazquez. According to press reports, several of the complaints were pending further investigation and remain unresolved. (Note: As noted in ref A, Velazquez is one of several Colorados vying to become President of the Colorado party in upcoming internal elections. He is also head of a committee exploring the possibility of a Constitutional reform that would permit the President of the country to run for re-election. End Note.)

Unconfirmed reports of FARC activity in Paraguay

[14.](#) Various unconfirmed reports of FARC activity in Paraguay emerged in the local press this week. According to one report, the Attorney General's Office is investigating the possibility that six FARC members entered Paraguay last year by way of Bolivia to assist with the kidnapping of former President Raul Cubas' daughter, Cecilia Cubas. The report also indicates that authorities received evidence that the Paraguayan "mastermind" behind the kidnapping, Osmar Martinez, was in email contact with FARC leader Raul Reyes and FARC members residing in Argentina, in addition to his known contacts with FARC "FM" Rodrigo Granda. According to a separate report, police in Ciudad del Este thwarted an attempt to kidnap a relative of "a well-known physician" by a group that purportedly included a Colombian national "who could be a member of the FARC." Post will report any confirmation of these reports and additional details, as they emerge, via septel.

U.S. cardiology team praised for its charity

[15.](#) A team of cardiologists from a children's hospital in Connecticut traveled to Paraguay this week to perform life-saving surgical procedures on 10 indigent children. The visit received abundant praise in the local press.

Paraguay mourns the death of writer Roa Bastos

16. Novelist Augusto Roa Bastos, a 1989 winner of the Cervantes Prize for Literature in Spanish and arguably Paraguay's greatest author, died on April 26 at the age of 187. Roa Bastos's works often reflected the region's political and social realities, which led to his decades-long exile, first from Paraguay under the dictatorship, and then from Argentina after a military junta seized power. He remained a literary hero in Paraguay throughout his life, and the country observed three days of official mourning upon his death.

KEANE